



State of Utah

Department of Natural Resources

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas & Mining

MARY ANN WRIGHT
Acting Division Director

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

March 16, 2005

CRK
7002 0510 0003 8603 3721

Mr. Rhett Roberts
Redmond Minerals, Inc.
6005 North 100 West
Redmond, Utah 84652

Subject: Formal Approval replacement Reclamation Surety, Redmond Minerals, Inc., Redmond Minerals, M/039/002, Sanpete County, Utah

Dear Mr. Roberts:

On February 25, 2005, the Director of the Division of Oil, Gas and Mining formally approved the form and amount of the replacement reclamation surety for Redmond Minerals mine. The reclamation surety in the amount of \$258,100 is in the form of a CD.

Enclosed please find original copies of the Letter of Credit and amendments issued by Zions Bank and reclamation contract (effective date December 15, 1999). In addition, the copies of the current signed and executed Reclamation Contract and surety bond forms are enclosed for your files.

Thank you for your help in finalizing this permitting action. If you require additional assistance concerning this matter, please contact me.

Sincerely,

Daron R. Haddock
Permit Supervisor
Minerals Regulatory Program

be
Enclosure MR-RC copy, CD copy, CD letter copy,
original RC eff. date Dec. 15, 1999,
original Letter of Credit, Zions Bank
O:\M039-Sanpete\m0390002-southrcs-salt\final\APVL-03162005.doc

FORM MR-RC
Revised January 21, 2005
RECLAMATION CONTRACT

File Number M-039-002

Effective Date 2/25/05

Other Agency File Number N/A

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940

RECEIVED

FEB 17 2005

RECLAMATION CONTRACT

---ooOoo---

DIV OF OIL GAS & MINING

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.)	<u>M-039-002</u>
(Mineral Mined)	<u>Salt and Bentonite</u>
"MINE LOCATION":	
(Name of Mine)	<u>Redmond Minerals</u>
(Description)	<u>Three miles north of Redmond</u>
	<u>Utah in Sevier and Sanpete Counties.</u>
"DISTURBED AREA":	
(Disturbed Acres)	<u>90.1</u>
(Legal Description)	<u>(Refer to Attachment A)</u>
"OPERATOR":	
(Company or Name)	<u>Redmond Minerals, Inc.</u>
(Address)	<u>6005 N. 100 W.</u>
	<u>Redmond, UT 84652</u>
(Phone)	<u>(435) 529-7402</u>

"OPERATOR'S REGISTERED AGENT":

Name)

(Address)

(Phone)

Parr Waddoups Brown Gee & Loveless

P.O. Box 11019

Salt Lake City, UT 84147

(801) 532-7840

"OPERATOR'S OFFICER(S)" & TITLE:

Rhett Roberts, President

Rusty Bastian, Vice President

Jason Haddock, Secretary

SURETY":

(Form of Surety - Attachment B)

Certificate of Deposit

"SURETY COMPANY":

(Name, Policy or Acct. No.)

Bank of American Fork

"SURETY AMOUNT":

(Escalated Dollars)

\$258,100

"ESCALATION YEAR":

2009

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Redmond Minerals, Inc. the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M-039-002 which has been approved/accepted by the Utah State Division of Oil, Gas and Mining under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved/accepted Reclamation Plan or Notice, and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the Reclamation Plan and/or Notice of Intention approved/accepted by the Division on Sept. 14, 1998. The Reclamation Plan and/or Notice of Intention, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Division in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the Division that the aggregate face

amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The Division shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

OPERATOR:

Redmond Minerals, Inc.
Operator Name

By Rhett Roberts
Authorized Officer (Typed or Printed)

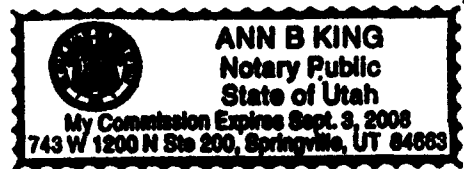
President
Authorized Officer - Position

Rhett Roberts, President 2/16/05
Officer's Signature Date

STATE OF UTAH)
COUNTY OF UTAH) ss:

On the 16th day of February, 20 05, Rhett Roberts
personally appeared before me, who being by me duly sworn did say that he/she is the
President of Redmond Minerals, Inc. and duly acknowledged
that said instrument was signed on behalf of said company by authority of its bylaws or
a resolution of its board of directors and said Rhett Roberts duly
acknowledged to me that said company executed the same.

Ann B. King
Notary Public
Residing at Salt Lake City
Sept. 3, 2008
My Commission Expires:



DIVISION OF OIL, GAS AND MINING:

By *Mary Ann Wright*
Mary Ann Wright, Acting Director

2/25/05
Date

STATE OF *Utah*)
COUNTY OF *Salt Lake*) ss:

On the *25th* day of *February*, 2005, *Mary Ann Wright*
personally appeared before me, who being duly sworn did say that she, the said
Mary Ann Wright is the Acting Director of the Division of Oil, Gas and
Mining, Department of Natural Resources, State of Utah, and she duly acknowledged to
me that she executed the foregoing document by authority of law on behalf of the State
of Utah.

Joelle Burns
Notary Public
Residing at: *SLC Utah*

April 4, 2005
My Commission Expires:



ATTACHMENT "A"

Redmond Minerals, Inc.
Operator

Redmond Minerals
Mine Name

M-039-002
Permit Number

Sevier/Sanpete County, Utah

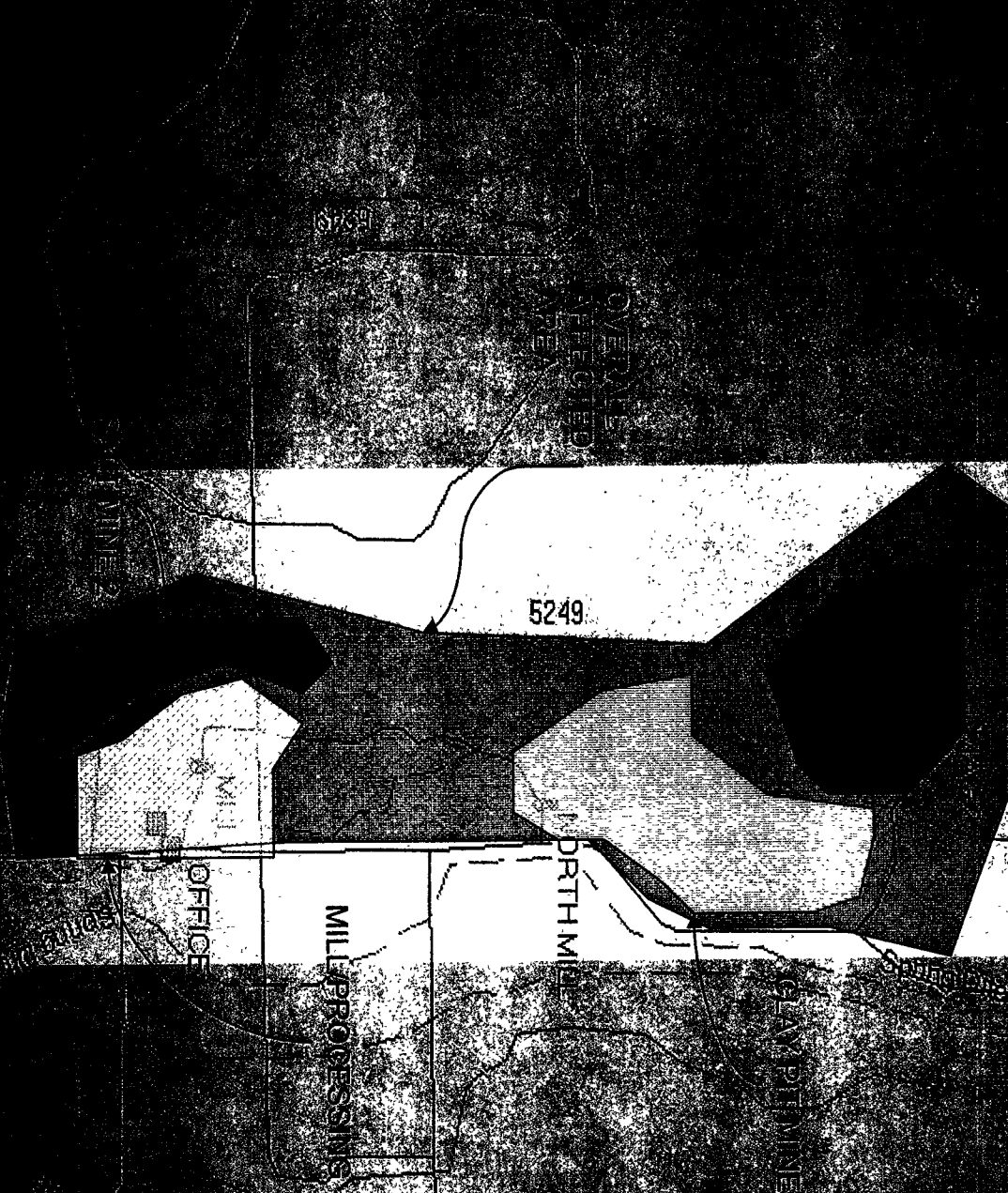
LEGAL DESCRIPTION

Include 1/4, 1/4, 1/4 sections, townships, ranges and any other descriptions that will legally determine where disturbed lands are located. Attach a topographic map of suitable scale (max. 1 inch = 500 feet; 1 inch = 200 feet or larger scale is preferred) showing township, range and sections and a clear outline of the disturbed area boundaries tied to this Reclamation Contract and surety.

The detailed legal description of lands to be disturbed includes portions of the following lands not to exceed 90.1 acres under the approved / accepted permit and surety, as reflected on the attached map labeled Exhibit 1 and dated February 16, 2005 :

Portions of SW 1/4, Section 13 Township 20 S Range 1 W
SE 1/4 of SE 1/4, Section 14 Township 20 S Range 1 W
Portions of SE & NE 1/4, Section 23 Township 20 S Range 1 W
Portions of SW & NW 1/4, Section 24 Township 20 S Range 1 W
NW 1/4 of NW 1/4, Section 25 Township 20 S Range 1 W
NE 1/4 of NE 1/4, Section 26 Township 20 S Range 1 W

EXHIBIT 1 2/16/05





JON M. HUNTSMAN, JR.
Governor
GARY R. HERBERT
Lieutenant Governor

State of Utah
DEPARTMENT OF NATURAL RESOURCES
Division of Oil, Gas & Mining

MICHAEL R. STYLER
Executive Director

MARY ANN WRIGHT
Acting Division Director

February 17, 2005

Bank of American Fork
1280 South 800 East
Orem, Utah 84097

RECEIVED

FEB 17 2005

DIV OF OIL GAS & MINING

Attention: Richard Thomsen, Senior Vice President

Subject: Reclamation Surety, Certificate of Deposit for Redmond Minerals, Inc.'s Redmond Minerals Mine Site, M/039/002, Sanpete/Sevier County, Utah
Certificate of Deposit no. Principal Amount \$258,100.00

This letter describes the mutually agreed upon instructions of the below signed parties to Bank of American Fork Bank ("Bank"), regarding the control, redemption, and release of Bank's above-described certificate of deposit ("CD"), which is being used as a surety to guarantee the availability of reclamation funds for the Redmond Minerals mine site ("Mine Site"), Sanpete/Sevier County, Utah. It is the intention of the parties that the CD be utilized as surety to guarantee that \$258,100.00 in reclamation funds will be available to the State of Utah, Division of Oil, Gas & Mining ("Division") upon demand in the event that the operator(s) of the Mine Site are unable or unwilling to complete reclamation of the mine site in compliance with applicable state law and regulations.

Ownership and Renewal:

Ownership of the CD is retained by Redmond Minerals, Inc., a Utah corporation, ("Owners"), but it is held by Bank for the benefit of the State of Utah, Division of Oil, Gas & Mining and is subject to the terms and conditions described in this agreement. The CD shall automatically renew indefinitely until either redeemed or released by the Director of the Division.

Redemption:

The CD may only be redeemed (i.e., called on demand), pursuant to the written instruction or demand of the Director of the Utah Division of Oil, Gas & Mining to the Bank. Upon the instruction and demand of the Director, the full initial amount of the CD shall be transferred to the State of Utah, Division of Oil Gas and Mining. Owners agree and irrevocably instruct Bank that neither the Owner(s), nor any other person

claiming an ownership interest in the CD which is derived from the Owners, shall have the authority to prevent the Bank from carrying out the Director's instruction to redeem the CD. Upon redemption, any accrued interest in excess of the initial amount of the CD shall be transferred to Owners' control, or if Owners do not instruct the Bank, the accrued interest shall be reinvested in the CD. If a signature card is prepared, it shall be drafted consistent with the requirement that only the Director of the Division may redeem the CD.

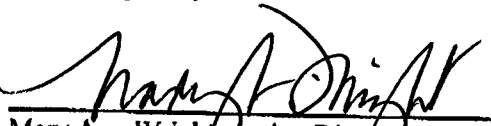
Release:

The bank shall release the CD only upon the written instruction of the Director of the Division to the Bank. Upon release, the terms and conditions of this agreement are no longer in effect, and the unconditioned control of the CD shall be returned to the Owners, or their legal successors-in-interest.

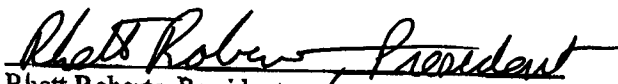
Accrued Interest:

Prior to release or redemption, all interest which accrues by the CD shall be 1) dispersed quarterly to the Owner(s) as the Owner(s) may instruct the Bank, or 2) shall be reinvested in the CD until such time the Owner(s) may instruct the Bank where to transfer such interest. In no event shall the Bank transfer any amount from the CD which would cause the redemption amount of the CD to be less than the initial amount, \$258,100.00. All tax liabilities for accrued interest shall remain the responsibility of the Owners. Bank will not be held liable for any dispute between the parties.

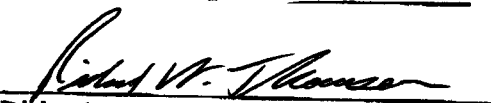
Agreed Upon By:


Mary Ann Wright, Acting Director
Utah Division of Oil, Gas & Mining

Date: 2/25/05


Rhett Roberts, President
Redmond Minerals, Incorporated
Tax ID Number: _____

Date: 2/16/05


Richard Thomsen, Senior Vice President
Bank of American Fork

Date: 2/16/05

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Date Opened: 02/16/05 Term: 6 Month(s) Tax ID: _____ Number: _____

Certificate of Deposit

Account Number: _____

Amount of

Deposit: Two hundred fifty eight thousand one hundred & no/100 \$ 258,100.00

This Time Deposit is Issued to: _____ Issuer: _____

REDMOND MINERALS, INC.
HELD FBO STATE OF UTAH DIVISION OF
OIL, GAS AND MINING
HOLD STATEMENT FOR LARRY MINER

AB Bank of American Fork

1280 South 800 East
Orem, UT 84057

By Angie Wellings
ANGIE WELLING

Not Negotiable - Not Transferable - Additional terms are below.

Additional Terms and Disclosures

This form contains the terms for your time deposit. It is also the Truth-in-Savings disclosure for those depositors entitled to one. There are additional terms and disclosures on page two of this form, some of which explain or expand on those below. You should keep one copy of this form.

Maturity Date: This account matures 02/16/10

(See below for renewal information.)

Rate Information: The interest rate for this account is 3.9000 % with an annual percentage yield of 3.96 %. This rate will be paid until the maturity date specified above. Interest begins to accrue on the business day you deposit any noncash item (for example, a check).

Interest will be compounded N/A.

Interest will be credited quarterly deposited to Checking #1.

☒ The annual percentage yield assumes that interest remains on deposit until maturity. A withdrawal of interest will reduce earnings.

☒ If you close your account before interest is credited, you will not receive the accrued interest.

The NUMBER OF ENDORSEMENTS needed for withdrawal or any other purpose is: 1.

Minimum Balance Requirement: You must make a minimum deposit to

open this account of \$ 100,000.00.

☒ You must maintain this minimum balance on a daily basis to earn the annual percentage yield disclosed.

Withdrawals of Interest: Interest ☐ accrued ☐ credited during a term can be withdrawn: _____.

Early Withdrawal Penalty: If we consent to a request for a withdrawal that is otherwise not permitted you may have to pay a penalty. The penalty will be an amount equal to: 3MONTH

_____ interest on the amount withdrawn.

Renewal Policy:

☐ Single Maturity: If checked, this account will not automatically renew. Interest ☐ will ☐ will not accrue after maturity.

☒ Automatic Renewal: If checked, this account will automatically renew on the maturity date. (see page two for terms)
Interest ☒ will ☐ will not accrue after final maturity.

ACCOUNT OWNERSHIP: You have requested and intend the type of account marked below.

- ☐ Individual
☐ Joint Account - With Survivorship (and not as tenants in common)
☐ Joint Account - No Survivorship (as tenants in common)
☐ Trust: Separate Agreement Dated _____
☒ Corporation

☐ Revocable Trust or ☐ Pay on Death Designation as defined in this agreement (Beneficiaries' names and addresses)

BACKUP WITHHOLDING CERTIFICATIONS

TIN: _____

☒ Taxpayer I.D. Number - The Taxpayer Identification Number shown above (TIN) is my correct taxpayer identification number.

☐ Exempt Recipients - I am an exempt recipient under the Internal Revenue Service Regulations.

☒ Backup Withholding - I am not subject to backup withholding either because I have not been notified that I am subject to backup withholding as a result of a failure to report all interest or dividends, or the Internal Revenue Service has notified me that I am no longer subject to backup withholding.

A provision for my signature, certifying under penalty of perjury the statements checked in this section and that I am a U.S. person (including a U.S. resident alien), is contained on the first copy of this certificate.

ENDORSEMENTS - SIGN ONLY WHEN YOU REQUEST WITHDRAWAL

X _____
X _____
X _____